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Lundi 17 octobre 2005

**Standing committee on
general government**

Gasoline Prices

**Comité permanent des
affaires gouvernementales**

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Monday 17 October 2005

Lundi 17 octobre 2005

The committee met at 1555 in room 151.

GASOLINE PRICES

Consideration of the designated matter pursuant to standing order 124 relating to gasoline price spikes.

The Chair (Mrs. Linda Jeffrey): Good afternoon. The standing committee on general government is called to order. We're here today to debate the notice of motion filed by Marilyn Churley, MPP, pursuant to standing order 124.

As per past practices, I suggest the committee split the 30-minute allotted debate time under standing order 124 equally among the three caucuses and that each caucus may use their 10 minutes as they see fit. Is there agreement among committee? Agreed.

Ms. Churley, you can move your motion and you'll have 10 minutes to speak.

Ms. Marilyn Churley (Toronto–Danforth): Thank you very much. Mr. Bisson will be using the New Democratic time on this.

I move that the committee initiate a study into the industry factors that led to price spikes in late August and September, as well as into the possible actions the Ontario government can take to protect Ontarians from similar price spikes in the future.

The issues under examination by the committee would include but not be restricted to:

—What are the determinants of the retail price of gasoline in Ontario?

—In looking at the complex factors that lead to volatility in the price of gasoline, what areas does the federal government have responsibility for and what areas do provincial governments have responsibility for?

—Are there short-, medium- or even long-term variations in gas prices across Ontario that cannot be justified by transportation costs and other costs directly related to the costs of retailing gasoline in rural, northern and other remote areas of Ontario?

—Does adequate competition exist at the retail level in all parts of Ontario, including rural and northern Ontario?

—What are the short-, medium- and long-term trends in terms of the relative retail role played by the majors as opposed to the independents?

—Does adequate competition exist at the wholesale level, particularly with respect to price competition, or lack thereof, in the refinery sector?

—Particularly with regard to price spikes in late August and September, were price spikes at the retail level justified by movements in the price of crude oil, or did certain players in the system take advantage of hurricane-related uncertainty to increase gas prices unjustifiably?

—What legislation and other mechanisms are other provinces and US states employing to deal with regional retail gas price variations and price spikes such as those that occurred in late August and September?

—What are the pros and cons of the different measures employed by other provinces and US states, and how applicable would they be to Ontario?

The Chair: You have eight minutes remaining. Do you wish to use—

Ms. Churley: Ten minutes.

The Chair: Oh, sorry. You now have 10 minutes.

Ms. Churley: I'll turn the chair over to Mr. Bisson, our lead on this issue.

Mr. Gilles Bisson (Timmins–James Bay): It's fairly clear—and I don't want to use all my time, because I'd like to hear what the government has to say—that post-Katrina, we had ourselves a situation where the price of gas went up. It went up exorbitantly high, as much as \$1.50 a litre at one point.

We know that the province has a fair amount of capacity as far as its regulatory powers when it comes to electricity, energy and gas. We know that when it comes to the federal government's capacity, basically the only authority they really have is in regard to collusion if you were able to prove criminal intent. Everything else having to do with how much refinery capacity is available, looking at basically the retail competition side—is there a sufficient amount of competition on the retail side; is there a sufficient amount of competition on the wholesale side?—those are all issues that are under provincial jurisdiction and provincial purview, as well as the whole issue of price differentials.

We all know, especially those of us who represent mixed rural-urban ridings, that you have huge price differentials within a very small geographic area. For example, in the town of Kapuskasing, you can be paying \$1.25 a litre today, but drive down to Smooth Rock Falls and find it for \$1.15. Why is there a 10-cent-a-litre difference when you're less than 130 or 140 kilometres apart? Certainly, it doesn't cost that to transport the gas.

1600

We would ask the committee to vote in favour of this motion so that we can have a reasonable amount of time. I wouldn't argue for a minute that we drag this out for a long, long period of time, but I think we should look at those issues that are under our control and determine what the effects are—Was there price collusion? What are the effects? What can we do?—and then come back, hopefully, with some recommendations.

The Chair: Thank you, Mr. Bisson. Do you wish to use the remaining time?

Mr. Bisson: No, I'll use it after theirs.

The Chair: OK. The government has 10 minutes to speak on this issue.

Mr. Jean-Marc Lalonde (Glengarry–Prescott–Russell): We recognize that Minister Phillips has already sent a letter to the federal Competition Bureau on this around September 20. He has received an answer to that letter, but at the present time we recognize—we have some doubt also—that the prices between service stations are not—

Mr. Lou Rinaldi (Northumberland): Consistent.

Mr. Lalonde: Consistent, yes. So at the present time I have to say, yes, our government has taken steps already to make sure that the competition is done properly and not what we see from one area to the other. I drive a lot in the riding, and I agree that, for me, in a location like Alfred the price of gas could be \$1.05, and down in Rockland, which is only about 35 kilometres away, it's 95 cents, and you're talking about the same gas company. That is all I would say at the present time.

The Chair: Are there any further speakers on the government side?

Seeing none, Mr. Bisson.

Mr. Bisson: I have a very quick question. Are you in favour of the motion? That would be my question. Are you prepared to have the committee look at this?

Mr. Lalonde: We agree with the motion, yes.

Mr. Bisson: OK. So you'll be voting in favour. I look forward to what I think will be some good hearings. I think there are some issues that we need to turn our attention to, and Mr. Lalonde touched on them. We all understand that the price of gas is tied to what happens in world events, to a large degree. However, people really get irked when they see they're paying 95 cents in this community, but if they go 15 miles down the road they're paying \$1.05 or \$1.10, and sometimes within their own community. That's one issue.

The other thing that I found as I was touring across the province this fall and this summer on this issue is that

there is a real lack of competition in the system. I think that's one of the big problems I see. If you're going to have, and I believe you should have, a private-sector-run gas industry—I don't believe that the government should run the retail sector, but you have to have good competition. Without good competition, you're not able to drive the prices down.

One of the things that we saw, especially from the independents, is that they have lost a large part of their ability to buy gas on the spot market or buy gas from other suppliers that bring it into a local market to drive the price down. They're basically all buying from the same people.

I think those are some of the issues that we can take a look at with this committee. I look forward to this work, and I thank the government for having supported our motion.

The Chair: Are there any further speakers?

Mr. Lalonde: I am in agreement with Mr. Bisson at the present time, because I did stop at the service station and ask them how come the company here, at MacEwen, has a certain price, and I go about five kilometres away and the price has changed. The answer that I got from the service station operator was, "While within a seven-mile radius, if the price changes at the other end, we get a phone call to change our price." I went back to see them and I said, "Have you filled up your tank since last night?" "No, it's the same gas." I went a little further. I said to the gentleman, "I was driving by this morning to go to Tim Hortons. I came back—different price. I went to my office, came back, and there was another price. How many times have you changed your price today?" He went to his book and said, "I've changed the price eight times today." So really, something has to be done.

Mr. Bisson: Eight is enough—well, not for the NDP, it isn't.

The Chair: Mr. Lalonde, are you finished?

Mr. Lalonde: Yes, I'm through.

The Chair: Mr. Bisson, did you—

Mr. Bisson: They're voting in favour, so let's get on to the vote.

The Chair: OK. Seeing that there are no further speakers, that concludes the allotted debate time that people want to use under standing order 124. I'm now required to put the question on the motion.

All those in favour of the motion? That's unanimous.

Thank you, to the members of the committee. We're adjourned. Could the members of the subcommittee stay? We need to discuss some subcommittee business.

The committee adjourned at 1605.

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